

**Audit Committee
Meeting Minutes
March 2, 2004**

**Council Conference Room, Second Floor, City Hall
3939 N. Drinkwater Blvd.
Scottsdale, Arizona 85251**

Members Present: Councilman Wayne Ecton
Councilman David Ortega

City Staff Present: Cheryl Barcala, City Auditor

Agenda Item 1: The meeting was called to order at 3:31 p.m.

Agenda Item 2: The minutes from the October 14, 2003 meeting were approved.

Agenda Item 3: Discussion of Reports Issued

3.a. Information Systems Help Desk (10/27/03)

Cheryl Barcala advised that the audit covered the response to requests for assistance. She stated that the dept agreed to make changes where needed and applied standardizations. Councilman Ecton felt the help desk did a good job and always responded appropriately. Councilman Ortega stated that the help desk always took care of his needs and were diligent in scanning and inventorying his equipment.

Councilman Ecton mentioned recommendation no. 3 and agreed that separate cost of programs within the department should be developed. Councilman Ortega agreed costs should be monitored so that expenditures do not get out of control.

3.b. Travel Expenditures Follow-Up (01/15/04)

Cheryl Barcala advised that this audit was a follow up of the 2000 audit. She stated that Financial Services has improved controls. She further explained that the audit was easy to conduct due to budget allocations restricting the amount of city travel. Minor housekeeping issues regarding signatures at the Police Department (discussed on page 2 of the report) are being corrected by consolidating forms used by the Police Department. Cheryl Barcala advised that the instances of high long distance charges would be rectified with the use of pre-paid calling cards.

3.c. Preservation, Maintenance, Care and Disposition of Public Records
(02/06/04)

Cheryl Barcala advised that the City Clerk is working diligently on an ordinance, that will require Council approval, that will set out the responsibility for the management of records. Currently the code contains only one paragraph that does not address City Clerk qualifications or the qualifications of the Deputy City Clerk or Records Manager. The current ordinance also does not address funding for the Clerk's Office to facilitate training or certifications. The Committee mentioned that the software package was on the Council agenda for approval. Councilman Ecton explained that records management is a problem in any city or company. Management needs to stay on top of the process, which can be defeated with changes in personnel. Councilman Ecton felt this is the beginning of a good program to get records under control and set the security levels on retrieval of documents. Councilman Ortega stressed the importance of numbering exhibits to know what could be missing, and he felt that new personnel with new eyes would provide a good review.

Cheryl Barcala discussed recommendation no. 5 regarding the Information Systems General Manager developing procedures that routinely delete e-mail and voice mail according to the retention periods set by paper records. She explained the e-mail server and personal files that individuals can utilize on their hard drives to save their e-mail. Councilman Ortega advised that he manages his e-mail by retaining his responses with the original e-mail and sorting issues by content. Councilman Ecton advised that many times an e-mail is forwarded to Brent Stockwell or Natalie Lewis, and the citizens are told that an educated response would be provided by knowledgeable staff. Council is copied on the responses citizens receive.

Cheryl Barcala advised that the City Manager is reviewing the draft ordinance, and the City Clerk will be recruiting a Records Manager to ensure that consistent retention periods thru records retention schedules are maintained throughout the City.

Councilman Ecton would like to discuss this issue again when the ordinance that states all qualifications and certifications for a good program is available for review.

3.d. Purchasing Card Follow-up Audit (02/13/04)

Cheryl Barcala advised that department managers scaled back the number of cardholders and transaction limits required justifications. Two recommendations were made: the requirement for supervisor training and procedures for canceling terminated employees' cards.

Councilman Ecton questioned whether supervisors were reviewing the purchasing logs and if purchasing personnel were using the cards and what their

limits were. Cheryl Barcala replied that buyers have a \$20,000 limit on their purchasing cards.

Cheryl Barcala discussed that the current vendor, Bank of America, was on state contract, however, the state is changing vendors, and the City may conduct their own request for proposals (RFP) to select a new vendor. Councilman Ecton advised that he would encourage the City to conduct their own research and RFPs. Cheryl Barcala reminded the Audit Committee that an audit of other jurisdiction contracts for goods and services is on the 2002/03 audit plan and is currently underway.

Agenda Item 4: Discuss Status of Audits

4.a. Self-funded Insurance

Cheryl Barcala advised that this audit has been sent to management for their comments and is due back in the auditor's office in about 10 days. In response to Councilman Ecton's request for an overview, Cheryl Barcala discussed the over funding of the risk fund and the concerns with the actuarial study that is done every year. She believes the actuarial numbers and reasons for reserves should be presented to Council in detail before the budget is approved.

4.b. Use of Other Jurisdiction Contracts

Cheryl Barcala stated that this audit will not look at whether the City got the best buy but will determine if adequate procedures and justifications are in place. Councilman Ecton asked if any guidelines were in place to assist minority companies. Cheryl Barcala replied that she was aware of environmental preferences only. Councilman Ortega discussed his meetings with Don Logan regarding minority assistance preferences that are already in place with the state that the City follows.

Cheryl Barcala advised that a meeting would be held with purchasing managers on Thursday to discuss the results of the fieldwork.

4.c. Vulnerability Study Follow-up

This audit has been completed and is out for management response.

4.d. Police Property Room

Cheryl Barcala expressed concerns with the preliminary testing, and stated that she did not anticipate a good outcome. She discussed issues with the database and the inability to locate items that should be in the property rooms. Councilman Ecton stated that he was not surprised because the Police Department does not have an adequate facility for this function. He stated his concern was with the safekeeping of the drugs and weapons.

4.e. Business Meals and Same Day Training Expenditures

Cheryl Barcala advised that the review of expenditures was almost complete and the auditors would start the asset management audit upon completion of the Business Meals and Same Day Training Expenditures audit.

Agenda Item 5: Audit Plan

The committee reviewed the 2002/2003 audit plan and discussed the following potential audits:

- 1) Risk Management
 - a. Compliance with City Ordinance
 - b. Safety Programs Cost and Effectiveness
 - c. Claims Administration
 - d. Process used to set premiums for Workman's Compensation and Liability
 - e. Use of Outside Attorneys for defense of claims
 - f. Verification of Annual Report
- 2) Collection and Use of Bed Tax Funds
 - Verify that funds collected have been properly recorded and used for purposes designated
- 3) Position Control
 - Determine if practices adhere to city ordinance requirements which set out an adoption of an annual Classification and Pay Plan setting for the titles, number of positions, and salary maximums for positions.
- 4) Public Art, Placement of Sculpture, and Use of the Percent for Arts
 - Verify the appropriation of percent for arts and the use of the funds
- 5) Purchasing Audit
 - Determine if procedures are sufficient to ensure that purchases adhere to code requirements
- 6) Streetlight Billings
 - Audit of billings for streetlights
- 7) Payroll
 - Test rate of pay, deductions to records
- 8) CDBG
 - Audit of program and expenditures
- 9) Vulnerability Assessment
 - Last assessment completed in Summer, 2002
- 10) Compliance with Fair Labor Standards Act
- 11) Water and Sewer Development Fees
- 12) Follow up of Records Audit
- 13) Follow up of Property Room Audit
- 14) Follow up of Take Home Vehicles

Regarding the proposed CDBG audit, Cheryl Barcala discussed her contact with Bobby Patterson. Ms. Patterson was concerned with the rehabilitation process and the confidentiality of information provided to many vendors. The issue of

confidentiality controls to third party vendors was discussed with Judy Register. Councilman Ortega explained that the focus of this audit should be an inspection of reasonable cost percentages not being exceeded. Councilman Ecton stated that perhaps the citizen was more concerned with where and who the funds were allocated to.

Councilman Ecton stated that he doubted that the Auditor's Office could accomplish everything on this list. The Committee agreed to study the list of potential audits and finalize the audit plan at a later date.

Agenda Item 6: Other Projects

Cheryl Barcala informed the Committee about office staffing; one auditor going on a six to eight week medical leave, one auditor returning from a six week leave due to knee replacement surgery, and the resignation of the administrative secretary. Councilman Ortega inquired the status of the auditor who was on a leave of absence. Cheryl Barcala explained that the leave was managed well with shorter assignments out of the office and the effective use of holidays.

Agenda Item 7: Public Comment

There was no public in attendance for comment.

Agenda Item 8: Closing Comments/Questions for Staff

Agenda Item 9: Adjournment

The meeting was adjourned at 4:29 p.m.

Respectfully submitted,

Jeri Futo

Approved as to form by the Audit Committee on December 7, 2004.

